

**January 9, 2007**

SUBJECT: Consider a Loan of \$2.1 Million of City Housing Funds to Mid-Peninsula Housing Coalition for the Acquisition of 662 Garland Avenue, an Affordable Rental Housing Project, and Approval of Budget Modification No. 29

REPORT IN BRIEF

Mid Peninsula Housing Coalition (MPHC), a non-profit housing developer, has requested a loan of \$2.1 million from the City Housing Fund for the acquisition of 662 Garland Avenue, a twenty-unit rental complex constructed in 1963. The request is for a short-term deferred payment loan (up to five years), at 4% simple interest. MPHC plans to maintain the existing complex as affordable rental housing while determining the feasibility of combining the site with neighboring parcels as part of a possible site reuse and development with the goal of creating a multi-unit affordable senior housing project. The purchase price for the acquisition is \$3.175 million. MPHC will fund the balance of the acquisition costs with the agency's development funds. No other funding is required to complete the acquisition phase of this project and escrow is scheduled to close in February.

If a larger development project does not prove feasible within the two-year evaluation period, MPHC will seek approval from the City to recast the debt and seek out tax credit financing. This would then provide the funds for a substantial rehabilitation of the property. It would then be preserved over the 55 years as affordable rental housing for very low income households, including seniors.

Approval is requested for Budget Modification No. 29 to appropriate \$2.1 million from the Housing Fund/Housing Mitigation Sub-Fund Reserve to fund this loan.

BACKGROUND

MPHC has had a successful 33-year relationship with the City of Sunnyvale, and has earned a reputation as one of Northern California's leading nonprofit developers of affordable rental housing. MPHC has extensive experience in the development and management of affordable housing, both new construction and rehabilitation projects. MPHC has developed more than 6,000 affordable units in seven Northern California counties and has won numerous awards for its well-built and well-managed properties. MPHC owns and manages 578 affordable rental housing units in six properties in Sunnyvale which include:

Moulton Plaza, an award winning 66-unit affordable rental housing project that opened in June 2006; Homestead Park, a 211-unit affordable family rental and senior housing project purchased to preserve affordability by MPHC in 2001; Aster Court, a 95-unit affordable family rental and senior housing project; Morse Court, a 35-unit affordable family rental housing project; Crescent Terrace, a 49-unit affordable senior rental housing project; and the Carroll Inn, a 121-unit single room occupancy, affordable housing project. **(Attachment A – MPHC Affordable Housing Projects in Sunnyvale)**

Of its total property portfolio, MPHC owns and operates 19 affordable senior housing projects containing 1,393 rental units. These include two projects containing 190 units currently under construction in Mountain View and Milpitas. **(Attachment B – MPHC Affordable Senior Housing Projects)**

On November 21, 2006, MPHC entered into a contract to purchase the property located at 662 Garland Avenue for \$3.175 million. The complex, which was built in 1963, consists of two, 2-story buildings containing a total of 11 one-bedroom, 7 two-bedroom, and 2 three-bedroom apartments. An appraisal report by an independent appraiser, prepared on December 18, 2006, concluded that the purchase price is at the appraised value, which is \$3.175 million, and that it falls within the indicated range of value for the property, which is at \$3.11 million to \$3.25 million.

The property under contract, with purchase scheduled by February 2007, is strategically located adjacent to the new County of Santa Clara Health Center under construction at Fair Oaks and Garland. The 662 Garland property is located directly behind the County site, at the intersection of Garland and Grand Fir, and shares a common lot line with the County site. **(Attachment C – Aerial View of Site)** The City has for several years worked with the County and various non-profit agencies to develop a portion of the site for an affordable senior rental housing project. The County has recently expressed interest in leasing the air rights to a portion of the site for development of rental housing.

EXISTING POLICY

The Consolidated Plan places a priority on maintaining and increasing the inventory of affordable rental housing for families. The City's Housing and Community Revitalization Sub-Element contains two goals related to affordable housing in the community:

Goal E: Maintain and increase housing units affordable to households of all income levels and ages.

Goal F: Improve Housing conditions for people with special needs.
Assist new housing development and housing support services for the elderly.

The Community Development Strategy goal of Housing Affordability:
To actively promote the provision and protection of housing which is affordable to households of low and middle income.

DISCUSSION

The subject site meets accepted locational criteria for low-income households, particularly seniors. The complex is strategically located next to the new County of Santa Clara Valley Health Center under construction on Fair Oaks Avenue. There is a bus stop on Fair Oaks. The site is within close proximity to Braly Park, the Sunnyvale Senior Center and Community Center, several churches, a senior nutrition site, an urgent care facility and a grocery store.

The City has had an interest in locating housing on the adjacent County-owned site since 1992. The current County Clinic project, which is now being constructed, will not preclude the development of a future housing project. The City is now in receipt of an appraisal on the value of an air rights leasehold interest of a portion of the County-owned site provided by the Office of the County Executive of Santa Clara County. A lease of the "air rights" would allow construction to be developed above the ground level. Staff will continue discussions and negotiations, now currently underway, towards the possible acquisition of air rights or ground lease by the City from the County. Should those efforts be successful, the City would then solicit proposals from nonprofits for development proposals of affordable senior housing on the County site.

MPHC has prepared a proforma that will allow the existing rents to remain at their current level (affordable to households at 45% of area median income) and there will be no rental increases. The nonprofit will not displace any of the current occupants, and will, as vacancies occur through attrition, allow units to remain unoccupied. MPHC may also relocate tenants, should their needs require it, to other properties owned by the nonprofit in Sunnyvale. MPHC will partner with staff to insure that all tenants are aware of the Below Market Rate Home Ownership Program, and of the future opening of the Wait List for that program. Should strategic planning result in a larger scale project, MPHC will follow HUD required anti-displacement policies and provide relocation benefits to those tenants that are eligible for them at that time.

FISCAL IMPACT

Housing Fund/Housing Mitigation Sub-Fund Reserve

These actions will not impact the General Fund. The Housing Mitigation Sub-Fund was created to support the provision of affordable housing within the

City, including funding the creation or acquisition of new units, and providing assistance to potential home buyers.

Budget Modification No. 29 has been prepared to appropriate \$2.1 million from the Housing Fund/Housing Mitigation Sub-Fund Reserve to fund the loan to MPHC.

**BUDGET MODIFICATION NO. 29
FISCAL YEAR 2006/2007**

	<u>Current</u>	<u>Increase (Decrease)</u>	<u>Revised</u>
Housing Fund/Housing Mitigation Sub-Fund			
<u>Expenditures:</u>			
New Project	\$0	\$2,100,000	\$2,100,000
<u>Reserves:</u>			
Housing Mitigation Sub-Fund Reserve	\$7,105,325	(\$2,100,000)	\$5,005,325

PUBLIC CONTACT

The Housing and Human Services Commission held a public hearing on December 13, 2006. Fran Wagstaff, Executive Director of MPHC, provided the Commission with background on the nonprofit and the properties owned and managed by them. A detailed proposal was presented to the Commission, and MPHC staff responded to the questions of the Commissioners. A motion was unanimously passed by the Commission that “enthusiastically encourages the Council to approve the loan for the property.” The minutes of the meeting are included. **(Attachment D)**

Public contact was made through the posting of the HHSC agenda on the City’s official notice bulletin board, posting of the agenda and report on the City web page, and the availability of the report in the Library and the City Clerk’s Office.

ALTERNATIVES

1. Approve Budget Modification No. 29 to appropriate \$2.1 million from the Housing Fund/Housing Mitigation Sub-Fund Reserve to fund a loan to Mid-Peninsula Housing Coalition for the acquisition of 662 Garland Avenue.
2. Do not approve Budget Modification No. 29.

RECOMMENDATION

Staff recommends Alternative 1: approve a \$2.1 million loan to Mid-Peninsula Housing Coalition for the acquisition of 662 Garland Avenue. It will be a deferred payment loan at 4% simple interest for five years. The loan term will allow the nonprofit to proceed with the future plans for development of the site and adjacent parcels that may become available.

The funding requested by MPHC for the acquisition of the project will preserve the affordability of the units to low and very-low income households during the next few years, while allowing the nonprofit to seek out opportunities to develop a larger project. The current tenants at the complex will not be displaced; rent levels will be maintained at current affordable levels. As one of the largest developers of affordable housing in the Bay Area, MPHC has ample staff, resources and experience to undertake this project, in both the short-term of providing affordable rental housing and the longer-term of the development of a larger project of senior affordable housing. MPHC plans to aggressively explore the possibility of combining this property with neighboring sites, including the County-owned site, over the next two years.

Additional land assemblage at this location would provide a unique opportunity, given the high cost and scarcity of available large parcels in Sunnyvale, to create a large affordable senior rental housing project, in a prime location for that use.

Reviewed by:

Robert Paternoster, Director, Community Development Department
Prepared by: Annabel Yurutucu, Housing Officer

Reviewed by:

Mary Bradley, Director of Finance

Approved by:

Amy Chan

Attachments

- A. Affordable Housing Projects in Sunnyvale-Owned by Mid-Peninsula Housing Coalition
- B. Affordable Senior Housing Projects-Owned by Mid Peninsula Housing Coalition
- C. Aerial View of Site-662 Garland and County Clinic Site
- D. Draft minutes of the Housing and Human Services Commission meeting of December 13, 2006.

ATTACHMENT A

AFFORDABLE HOUSING PROJECTS IN SUNNYVALE – OWNED BY MID-PENINSULA HOUSING COALITION

MID PENINSULA HOUSING COALITION
DEVELOPMENT LIST - Sunnyvale, CA

PROJECT NAME	ADDRESS	COUNTY	HOUSING TYPE	UNITS	MPHC ROLE	YEAR COMPLETE	FINANCING / SUBSIDIES
HOMESTEAD PARK	1601 Tenaka Place Sunnyvale, CA 94087	SANTA CLARA	Family Senior	211	Developer Owner Manager	1974	HUD 236, Hud Section 8, tax credits, CalHFA, tax-exempt bonds, City of Sunnyvale, CDBG and HOME
ASTER PARK	1050 Reed Avenue Sunnyvale, CA 94086	SANTA CLARA	Family Senior	95	Developer Owner Manager	1975	HUD 236, Section 8
MORSE COURT	825 Morse Avenue Sunnyvale, CA 94086	SANTA CLARA	Family	35	Developer Owner Manager	1983	CalHFA, City of Sunnyvale CDBG, HUD Section 8
CRESCENT TERRACE	130 Crescent Terrace Sunnyvale, CA 94087	SANTA CLARA	Senior Disabled	48	Developer Owner Manager	1986	CalHFA, State Deferred Section Mortgage Program, City of Sunnyvale, CDBG, Santa Clara County Housing Authority
THE CARROLL INN	174 Carroll Street Sunnyvale, CA 94086	SANTA CLARA	SRO	121	Developer Owner Manager	1994	SAMCO, RHCP, City of Sunnyvale, tax credits, Santa Clara County, Union Bank, LIMAC and Mercy Housing
MOULTON PLAZA	1601 Tenaka Pl Sunnyvale, CA 94087	SANTA CLARA	Family	66	Developer Owner Manager	2006	CalHFA, Tax Credits, AHP, City of Sunnyvale HOME, Housing Trust of Santa Clara County

ATTACHMENT B

AFFORDABLE SENIOR HOUSING PROJECTS – OWNED BY MID-PENINSULA HOUSING COALITION

MID PENINSULA HOUSING COALITION

DEVELOPMENT LIST - Senior Properties

PROJECT NAME	ADDRESS	COUNTY	HOUSING TYPE	UNITS	MPHC ROLE	YEAR COMPLETE	FINANCING / SUBSIDIES
HOMESTEAD PARK	1601 Tenaka Place Sunnyvale, CA 94087	SANTA CLARA	Family Senior	211	Developer Owner Manager	1974	HUD 236, Hud Section 8, tax credits, CalHFA, tax-exempt bonds, City of Sunnyvale, CDBG and HOME
ASTER PARK	1050 Reed Avenue Sunnyvale, CA 94086	SANTA CLARA	Family Senior	95	Developer Owner Manager	1975	HUD 236, Section 8
MONTE VISTA TERRACE	1101 Grant Road Mountain View, CA 94040	SANTA CLARA	Senior Disabled	150	Developer Owner Manager	1980	HUD 221 (d)(4)
LOS GATOS FOUR-PLEX	221-227 Nicholson Avenue Los Gatos, CA 95030	SANTA CLARA	Senior	4	Acquisition Owner Manager	1982	Wells Fargo Bank, Town of Los Gatos CDBG
SARATOGA COURT	18855 Cox Avenue Saratoga, CA 95070	SANTA CLARA	Senior Disabled	20	Acquisition Owner Manager	1983	HUD 231, HUD Section 8, Saratoga & Santa Clara County CDBG
CRESCENT TERRACE	130 Crescent Terrace Sunnyvale, CA 94087	SANTA CLARA	Senior Disabled	48	Developer Owner Manager	1986	CalHFA, State Deferred Section Mortgage Program, City of Sunnyvale, CDBG, Santa Clara County Housing Authority
WILLOW TERRACE	1345 Willow Road Menlo Park, CA 94025	SAN MATEO	Senior Disabled	32	Acquisition Owner Manager	1987	Citicorp, San Mateo County CDBG
THE FOUNTAINS	2005 Ramon Drive Mountain View, CA 94043	SANTA CLARA	Senior	124	Developer Owner Manager	1989	Bank of America, City of Mountain View CDBG, tax credits (Santa Clara County & BRIDGE co-sponsors)
ROTARY HACIENDAS	2700 Hacienda Street San Mateo, CA 94403	SAN MATEO	Senior	82	Developer Manager	1990	City of San Mateo, Rotary Club of San Mateo, Tax Credits, UBOC
TIMBERWOOD	3903 Seven Trees Blvd. San Jose, CA 95111	SANTA CLARA	Family Senior	286	Acquisition Owner Manager	1990	501(c)(3) Bonds, City of San Jose
JARDINES PALOMA BLANCA	132 N. Jackson Ave. San Jose, CA 95116	SANTA CLARA	Senior	43	Manager		HUD 202
GINZTON TERRACE	375 Oaktree Drive Mountain View, CA 94040	SANTA CLARA	Senior	107	Developer Owner Manager	1993	CalHFA, State HCD, City of Mountain View CDBG, Union Bank, tax credits
SHOREBREEZE	460 North Shoreline Mountain View, CA 94043	SANTA CLARA	Family Senior	120	Developer Owner Manager	1997	City of Mountain View CDBG & HOME, tax credits, low-floater bonds
GIRASOL	1710 Alum Rock Ave. San Jose, CA 95116	SANTA CLARA	Senior	60	Manager		HUD 202
CENTRAL PARK APARTMENTS	90 Sierra Vista Mountain View, CA 94043	SANTA CLARA	Senior	149	Acquisition Owner Manager	1999	Tax Credits, Tax-exempt bonds, City of Mountain View CDBG, HOME, other
PALO ALTO GARDENS	648 San Antonio Road Palo Alto, CA 94306	SANTA CLARA	Family Senior	156	Acquisition Owner Manager	1999	Tax-exempt bonds, tax credits, City of Palo Alto (CDBG, in lieu)
AVELINA	221 Bryant Commons Fremont, CA 94539	ALAMEDA	Senior	41	Developer Owner Manager	2001	Union Bank, Fremont Bank Foundation, State Families to Work Funds, AHP, City of Fremont, HUD 202
RUNNYMEDE GARDENS	2301 Cooley Avenue East Palo Alto, CA 94303	SAN MATEO	Senior	78	Acquisition Owner Manager	2001	Tax credits, tax-exempt bonds (CalHFA), City, HUD Section 8
SAN PEDRO COMMONS	101 A Street Colma, CA 94014	SAN MATEO	Senior	74	Developer Owner Manager	2001	Tax credits (GE Capital), San Mateo County, HOME, AHP, CalFed Bank, Wells Fargo Bank
TICE OAKS	2150 Tice Valley Blvd. Walnut Creek, CA 94595	CONTRA COSTA	Senior	91	Acquisition Owner Manager	2001	Tax credits, tax-exempt bonds (CalHFA), City of Walnut Creek CDBG, Contra Costa County HOME

LAS GOLONDRINAS	77 Kentucky Place San Jose, CA 95116	SANTA CLARA	Senior	50	Manager		HUD 202
ROTARY FLORITAS	99 27th Avenue San Mateo, CA 94403	SAN MATEO	Senior	50	Developer Manager	2005	Tax Credits, Borel Bank & Trust, City of San Mateo RDA, County of San Mateo HOME, Rotary Haciendas, Inc.
NEW CENTRAL PARK	90 Sierra Vista Way Mountain View, CA 94043	SANTA CLARA	Senior	90	Developer Owner Manager	Pre- development stage	Tax Credits, tax-exempt bonds, City of Sunnyvale loan, Federal Home Loan Bank, MHP
DEVRIES PLACE	163 North Main Street Milpitas, CA 95035	SANTA CLARA	Senior	100	Developer Owner Manager	In Construction	City of Milpitas RDA, US Bank (tax-exempt bonds), Tax Credits, Housing Trust Fund of Santa Clara County

ATTACHMENT C

AERIAL VIEW OF SITE – 662 GARLAND AND COUNTY CLINIC SITE



ATTACHMENT D

DRAFT MINUTES OF THE HOUSING AND HUMAN SERVICES COMMISSION MEETING OF DECEMBER 13, 2006



DRAFT MINUTES
SUNNYVALE HOUSING & HUMAN SERVICES
COMMISSION
DECEMBER 13, 2006

The Housing & Human Services Commission met in a regular session in the Lobby Conference Room at 456 W. Olive Ave., Sunnyvale City Hall, Sunnyvale, CA 94086 on December 13, 2006 at 7:08 p.m. with Vice Chair Timothy Persyn presiding.

ROLL CALL

Commission Members Present: Vice Chair Timothy Persyn, Commissioners Ann Andersen, Micki Falk, Damon Kali, Charles Keeler and Patrick Meyering

Commission Members Excused Absent: Chair James Callan

Commission Members Unexcused Absent: None

Staff: Annabel Yurutucu, Housing Officer and Victoria Chambers, Housing Senior Office Assistant

PUBLIC ANNOUNCEMENTS

None

CONSENT CALENDAR

None.

CITIZENS TO BE HEARD

None.

PUBLIC HEARINGS/GENERAL BUSINESS

A. Discussion to Correct Actions Concerning Absences

Vice Chair Persyn commenced discussion of amending the October 25, 2006 meeting minutes.

The Housing Officer explained the process that must be taken to reflect a reverse action in the meeting minutes. An action to make a motion must be made to excuse an absence. Therefore, the Commission must make a motion at the current meeting to excuse Commissioner Meyering's absence at the October 25th meeting.

Commissioner Meyering felt that a violation to the Brown Act had been made, and presented an explanation as to how the violation had been made.

The Housing Officer stated that Commissioner Meyering should inquire with the City Attorney as to whether or not the Brown Act was violated.

Vice Chair Persyn asked Commissioner Meyering how he would like to resolve this issue.

Commissioner Meyering would like to continue this issue to the next meeting with the minutes from the November 15, 2006 meeting available for review with all commission members present, as well as the City Attorney and the City Manager.

The Housing Officer clarified her point in what must be done to correct the action taken to approve Commissioner Meyering's absence from the October 25th meeting.

Vice Chair Persyn asked what the other Commissioners felt should be done at this point so that an action could be made.

Commissioner Andersen moved that the suggestion made by the Housing Officer be voted on.

Commissioner Keeler asked the Housing Officer if a normal procedure was simply being clarified.

The Housing Officer stated that the Commission determined at the October meeting that there was an unexcused absence. At the second meeting in November, the Chair made a direction to staff to revise/amend the minutes of the October meeting; however, no action was taken. If the Commission wishes to excuse the absence, a motion should be voted on at this meeting, and the October minutes will be modified to indicate a revision has occurred.

Commissioner Andersen made a motion to excuse Commissioner Meyering's absence, and mark the October minutes as revised and to note that. Commissioner Keeler seconded.

There was discussion of what processes must be followed to revise minutes.

Vice Chair Persyn stated that there was discussion of this motion and that the Commission needs to vote on the motion.

Motion carried 4 – 2, Commissioner Meyering opposed and Commissioner Kali abstaining.

B. Presentation by Mid-Peninsula Housing Coalition Staff for Funding of an Affordable Housing Project

The Housing Officer introduced Fran Wagstaff, Executive Director of Mid-Peninsula Housing Coalition (MPHC), and Keri Lung, Development Planner with MPHC.

Ms. Wagstaff gave brief background on the agency, and stated the agency's mission statement. A PowerPoint presentation was also given to show the Commission pictures of various properties developed or rehabilitated by MPHC.

Ms. Wagstaff explained that a broker brought the 662 Garland Avenue property to the attention of MPHC. The neighboring site is the County Health Clinic, parking for the residents may be available at the nearby PG&E easement, and a park is also located nearby.

Ms. Wagstaff showed the Commission examples of other MPHC rehabilitation projects to show potential for the Garland site.

Ms. Lung explained some details about the property acquisition, and also showed how larger, future affordable housing developments may be possible through this acquisition.

Housing Officer stated that some Commission members may recall that the County asked for a vacation of the right-of-way through their property, prior to commencing construction. At that point in time, it was discussed with the Commission that the City was aggressively seeking air rights or ground lease from the County in order to have senior housing constructed on whatever land was available on the County site. The City is currently in active discussion with the County on the negotiations of air rights/ground lease for the unused portion of the site, which shares a common property line with 662 Garland Avenue.

Discussion of the current property use and planned property use ensued.

Vice Chair asked if there were questions from the Commission.

Commissioner Falk asked if the County clinic is needed.

The Housing Officer affirmed and stated that the County made a decision through a bond issue several years ago, and acquired several million dollars to build this clinic.

Ms. Lung and the Housing Officer stated the various amenities of this location.

Commissioner Kali asked about the acquisition rehabilitation pro forma given. He asked whether those units will be preserved at that rental rate indefinitely, or if there is a timeframe to provide the low-income housing, and eventually move to market-rate rents.

Ms. Wagstaff stated the rents will be gradually lowered to be available for low-income residents, but the residents' incomes must be verified.

Housing Officer stated how the rents would be calculated, so that very low-income people are targeted.

Commissioner Keeler asked what fund contains the \$2 million dollars. The Housing Officer stated that the funding is in Fund 70-100, the Housing Mitigation Sub-Fund, which currently has a balance of \$6.9 million dollars.

Vice Chair Persyn asked what will happen to the current residents. Ms. Lung explained that those residents will be permitted to stay in the units, as long as they are low income.

Vice Chair Persyn asked if there were any questions from the Commission.

Commissioner Keeler made several positive comments of MPHC and of MPHC's relationship with the City and proposed a motion for City Council to enthusiastically endorse this project.

Vice Chair Persyn clarified that this should be deferred to Agenda Item C and asked if the Commission would like to move to Agenda Item C.

Ms. Lung and Ms. Wagstaff left the room to allow the Commission further discussion of this item.

C. Discussion and Recommendation to Council on the Proposal for an Affordable Housing Project

The Housing Officer stated that the appraisal of 662 Garland Avenue will have been obtained by the time the report goes to Council. The timing did not allow the appraiser to complete the appraisal before this meeting.

Commissioner Keeler stated that the location of the property is great.

Staff will go to Council with a staff report on January 9th. The agency did homework in researching the possibility of this project and the outcome in the worst-case scenario.

Commissioner Falk asked why this agency needs funding from Sunnyvale, as opposed to financing it themselves.

Housing Officer stated that the City's goal is to create affordable housing for its residents, and these funds are specifically targeted to that goal.

Commissioner Keeler made a motion that the Commission enthusiastically encourages Council to approve the loan for this property.

Motion carried 6-0.

Commissioner's Oral Comments:

None.

Staff Comments:

The Housing Officer stated that staff will be preparing a report to Council for January 9th regarding the MPHC's request for a loan for 662 Garland Avenue.

Staff will email the report to the Commission when permitted to do so.

INFORMATION ONLY ITEMS

None.

ADJOURNMENT

Vice Chair Persyn adjourned the meeting at 8:10 PM.

Respectfully submitted,

Annabel Yurutucu
Housing Officer